Agriculture and Agri-Food Canada
Agriculture et Agroalimentaire Canada

Profile of the 1998 Farm Financial Survey

Economic and Policy Analysis Directorate
Policy Branch

February 1999

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Preface

This *Profile of the 1998 Farm Financial Survey* provides highlights of the 1998 Farm Financial Survey and compares the results with two previous surveys in 1994 and 1996. The data were collected by Statistics Canada under contract with Agriculture and Agri-Food Canada. Eighteen thousand farms were surveyed by telephone and the sample included farms with total farm revenues of over $10,000 per year.

This overview is divided into three sections: farm financial structure, capital investment and growth, and farm income and stability. More detailed information can be obtained by visiting the following websites: *www.statcan.ca* or *www.agr.ca/policy/epad*. Special requests can be made to Statistics Canada, Agriculture Division via e-mail at *agriculture@statcan.ca* or by telephone at 1-800-465-1991. Comments on this publication can be sent to David Culver via e-mail at *culverd@em.agr.ca* or by telephone at 613-759-7390.

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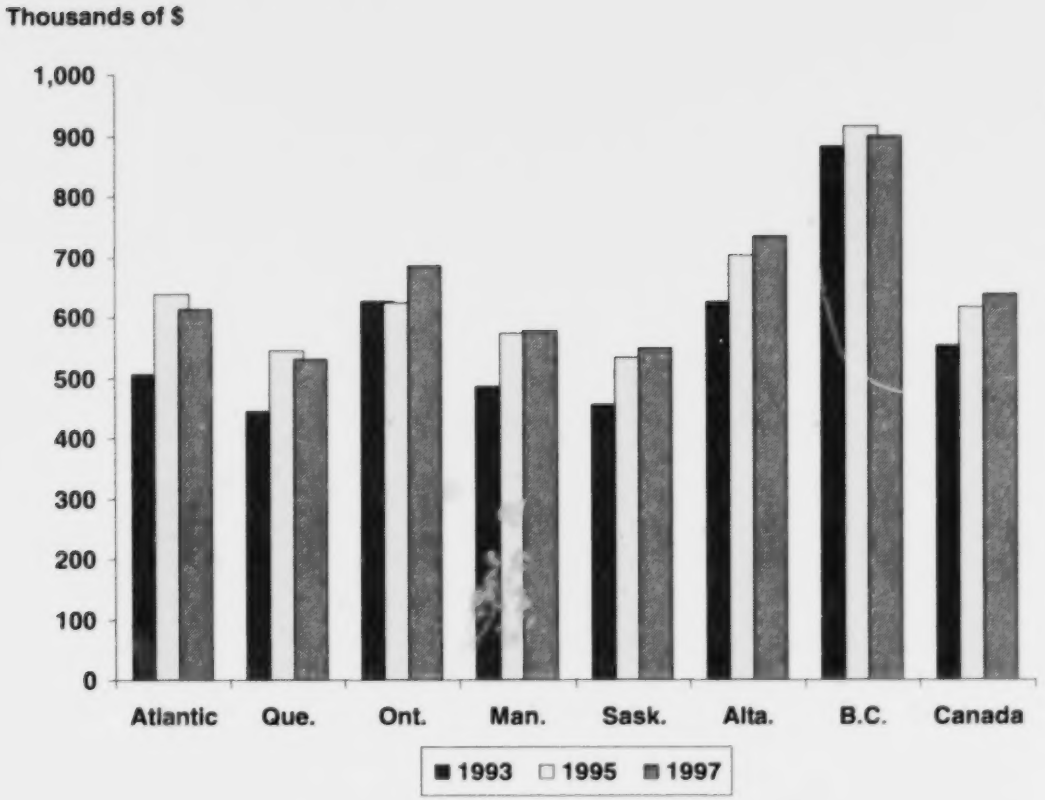
Introduction

Introduction

- The Farm Financial Survey (FFS) was first conducted in 1981 and has been repeated approximately every two years since 1988.
- The 1998 FFS was conducted by Statistics Canada and funded by Agriculture and Agri-Food Canada.
- The 1998 survey sampled 18,000 farms from all provinces and farm types, with gross revenue of $10,000 and over and excluded multi-holding farms. In previous surveys the samples covered farms with gross revenue of $2,000 and over.
- Balance sheet data were collected as of December 31, 1997, and income and investment information for calendar year 1997.
- Farm type is based on 51% or more of revenues from a particular commodity.
- Improvements in sample methodology and definitions have been made, and caution is required when comparing 1997 results with those of 1993 and 1995.

Farm Financial Structure

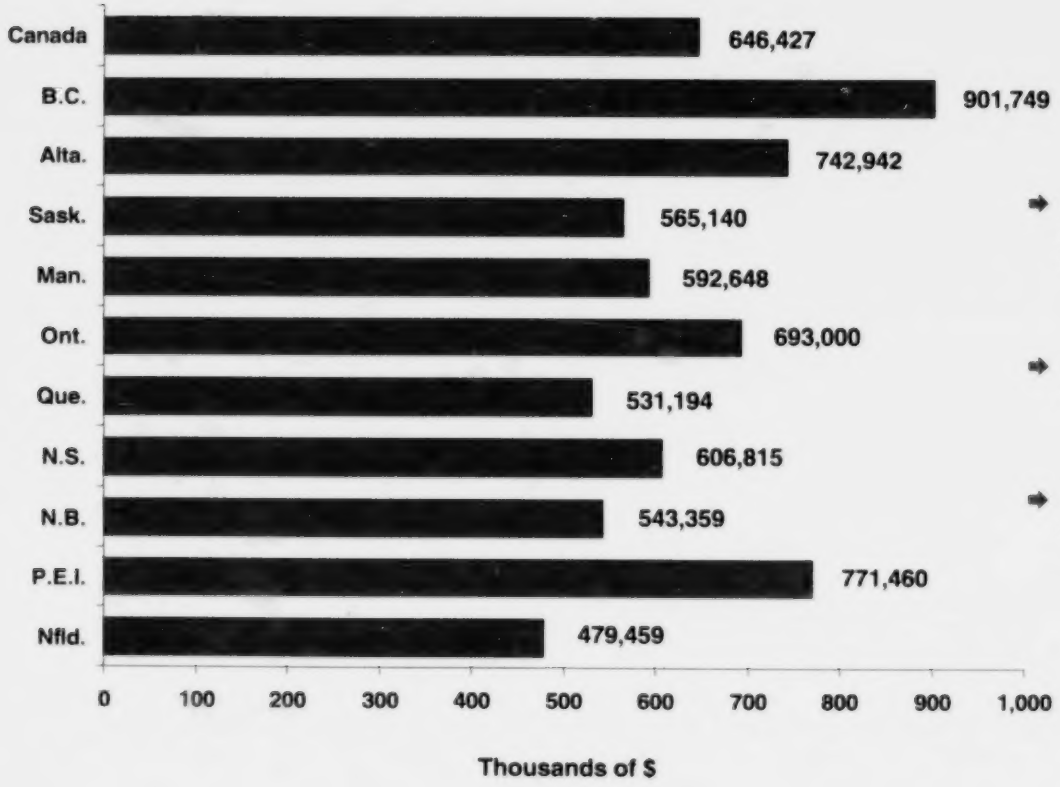
Average Net Worth per Farm by Province



- Net worth has increased steadily on Canadian farms.
  - Average net worth was $635,635 in 1997.
  - Average net worth increased $20,263 from 1995 (3%).
- Net worth varied among provinces in 1997.
  - British Columbia farms had the highest net worth at $896,665.
  - Quebec farms had the lowest net worth at $530,187.
  - Net worth of Ontario and Alberta farms were up sharply in 1997.
  - Farms in the Atlantic region, Quebec and British Columbia showed a decrease in 1997 after strong growth between 1993 and 1995.
- The average NISA account balance in 1997 for farms participating in NISA is $25,226.

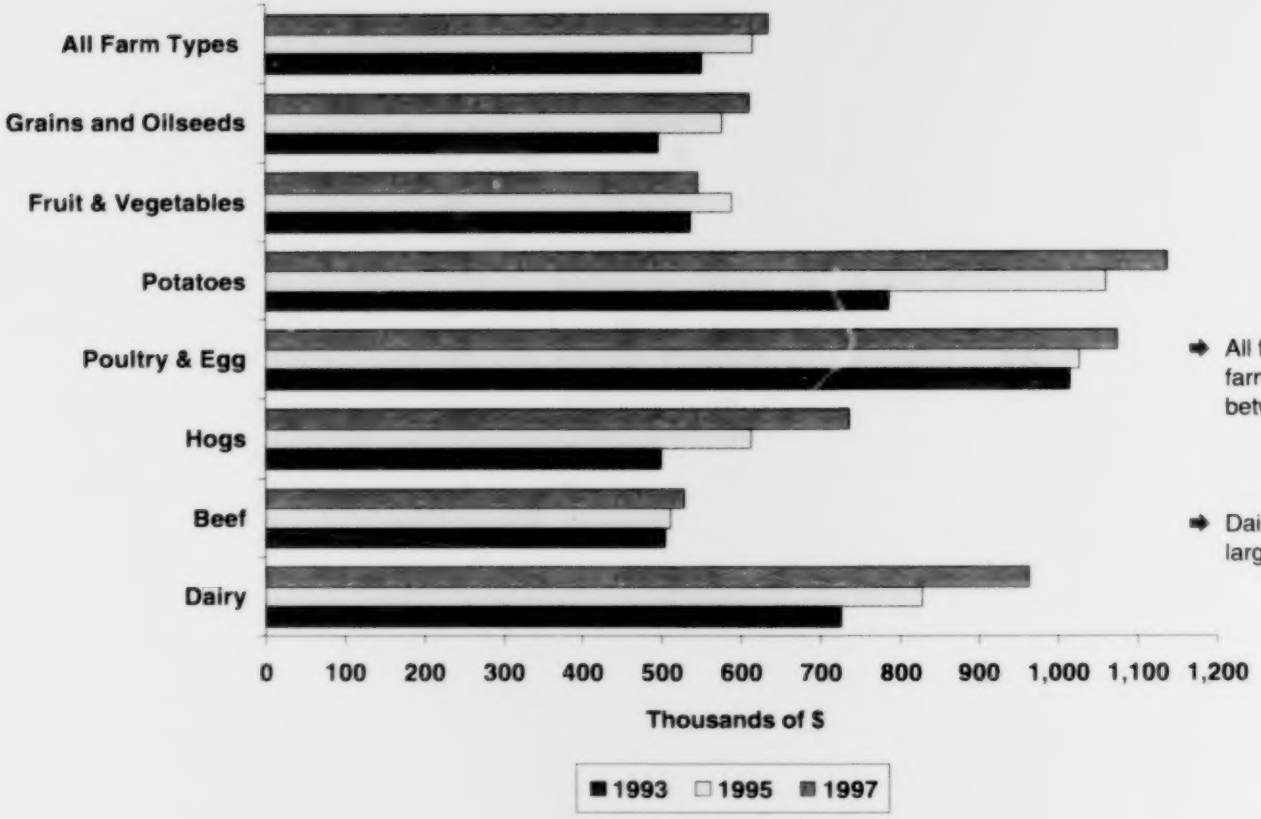
Note: To facilitate comparison with previous years, NISA balances are not included in estimates of net worth.

Average Net Worth per Farm by Province, 1997



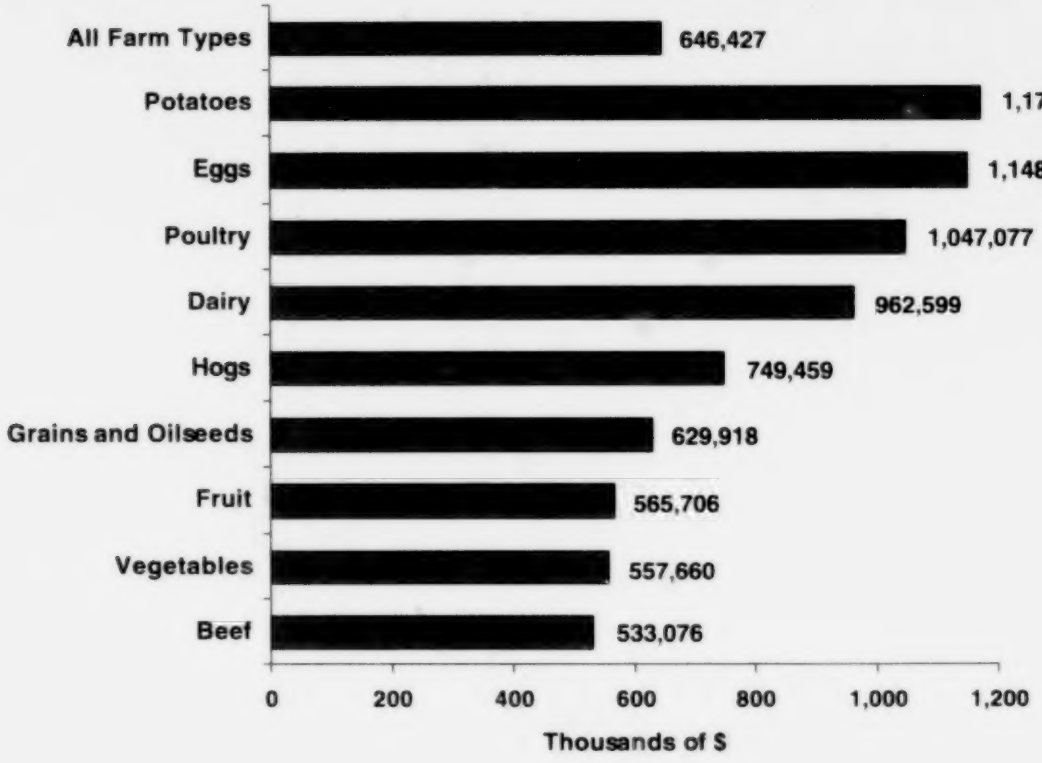
- British Columbia farms had the highest net worth per farm (over $900,000) which reflects the large number of dairy farms and high land values.
- Prince Edward Island farms also had high average net worth reflecting the large number of potato farms.
- Newfoundland farms reported the lowest net worth at $479,459 per farm.

Average Net Worth per Farm by Farm Type



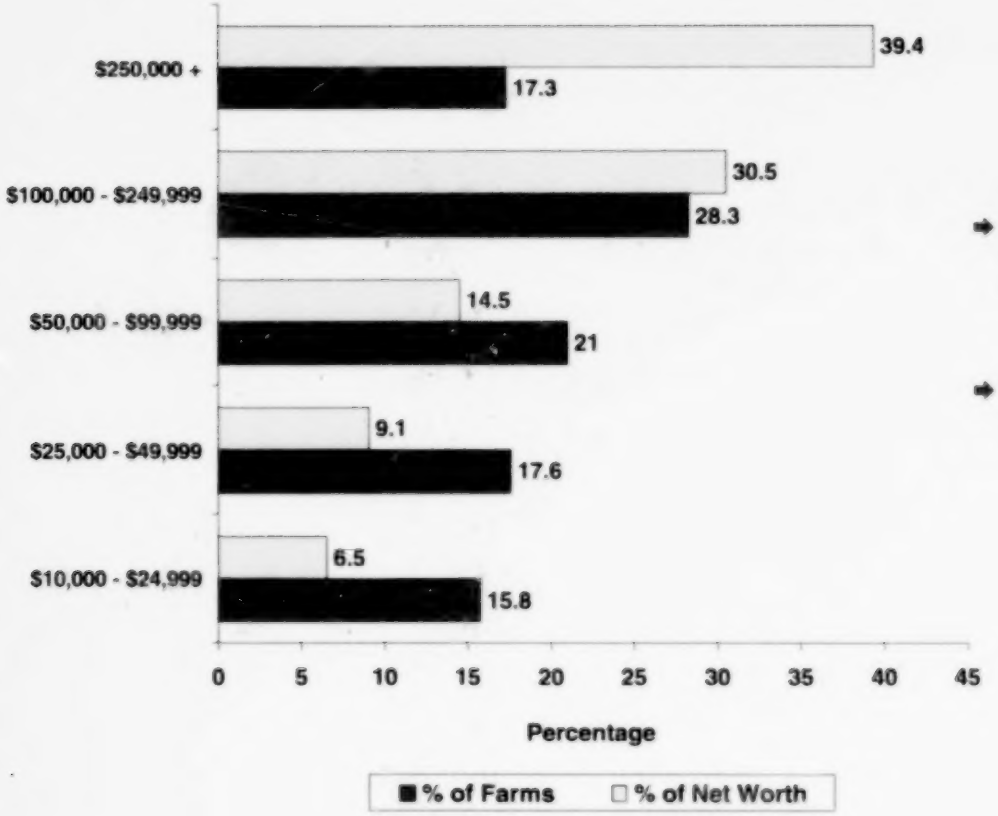
- All farm types except fruit and vegetable farms reported increases in net worth between 1995 and 1997.
- Dairy, hog and potato farms reported the largest increases between 1995 and 1997.

Average Net Worth per Farm by Farm Type, 1997



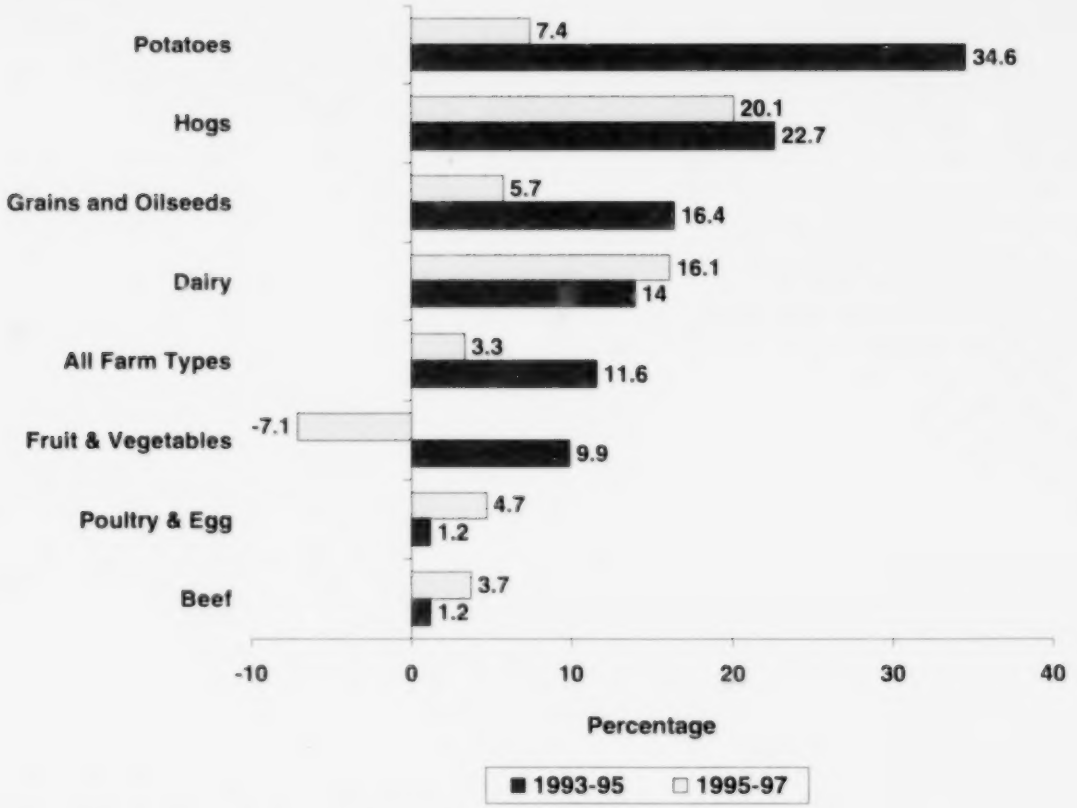
- Potato farms had the highest net worth at $1.2 million in 1997.
- Poultry farms, egg farms and dairy farms also showed high net worth.
- Beef farms had the lowest net worth in 1997.

Distribution of Farms and Net Worth by Revenue Class, Canada, 1997



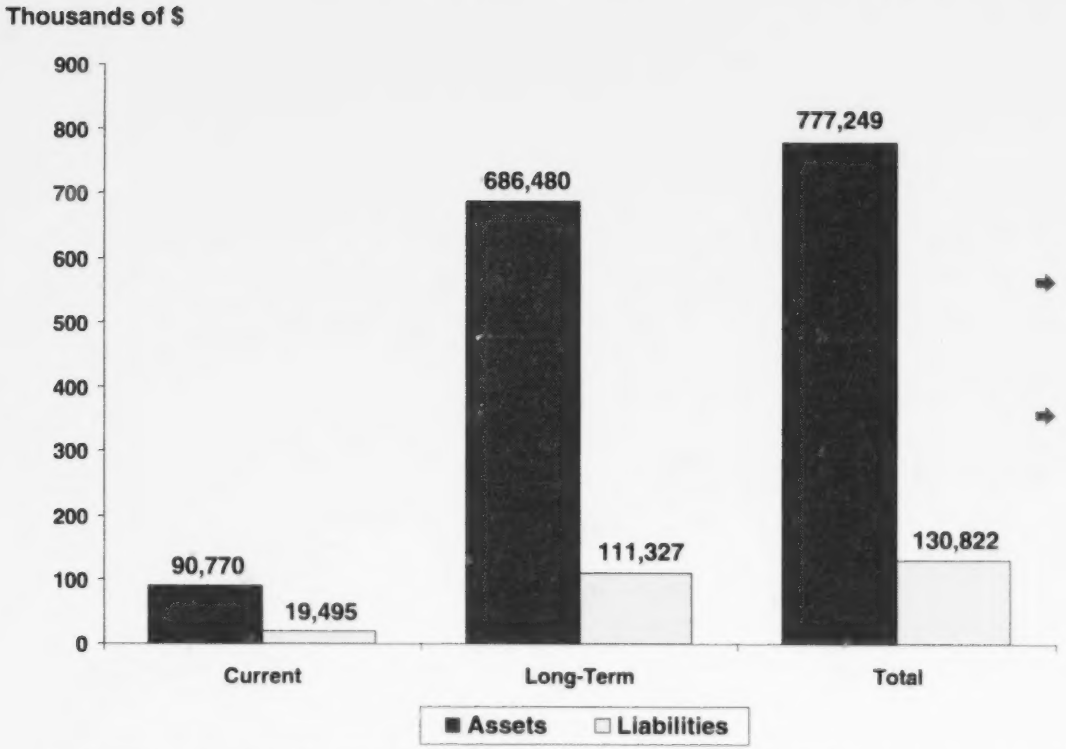
- Farms with revenues between $10,000 and $25,000 made up 15.8% of all farms, but accounted for only 6.5% of the total net worth.
- Farms with $250,000 or more in gross revenues made up 17.3% of all farms but accounted for 39.4% of the total net worth.

Percentage Change in Average Net Worth by Farm Type



- Average net worth increased 3.3% between 1995 and 1997 compared to 11.6% for the 1993 to 1995 period.
- Hog farms showed the most significant increase in net worth between 1995 and 1997 (20.1%), a lower increase than that between 1993 to 1995.
- Fruit and vegetable farms were the only farm type to report lower net worth in 1997 compared to 1995.

Average Current* and Long-Term** Assets and Liabilities per Farm, Canada, 1997

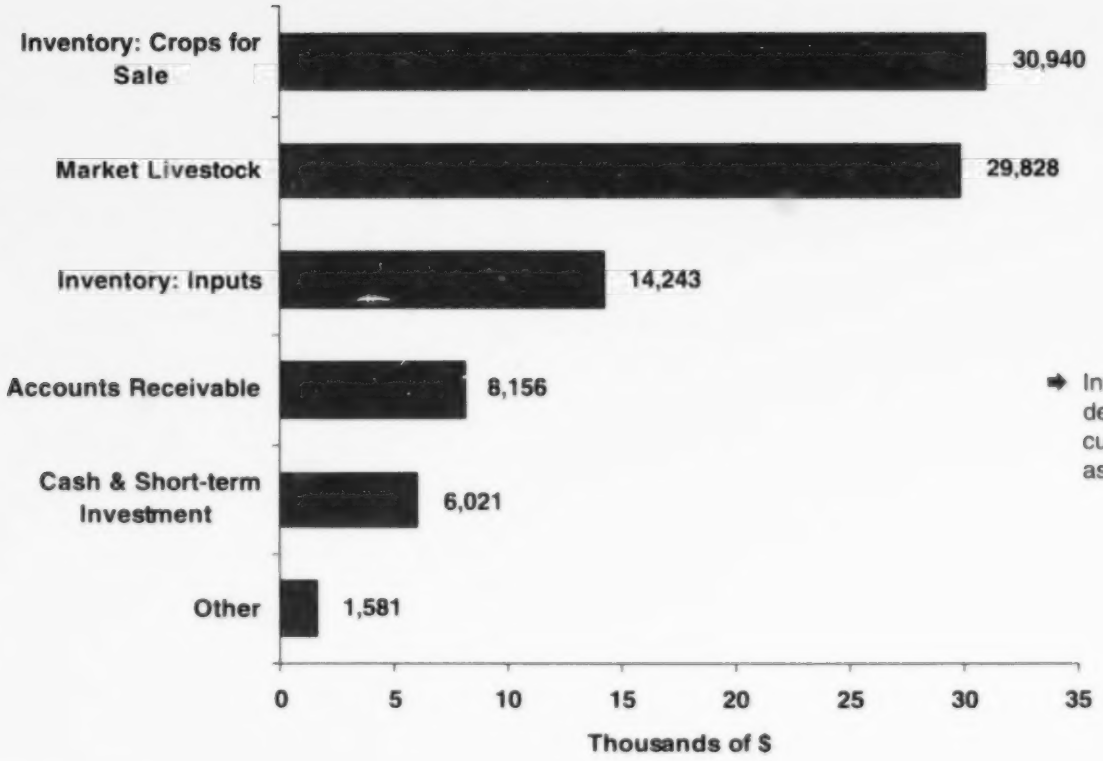


- Long-term liabilities made up 85% of total liabilities in 1997.
- Long term assets represented 88% of total assets.

* Current assets include livestock, accounts receivable, inventories of crops and inputs, cash and short-term investments (under 1 year) and prepaid expenses.

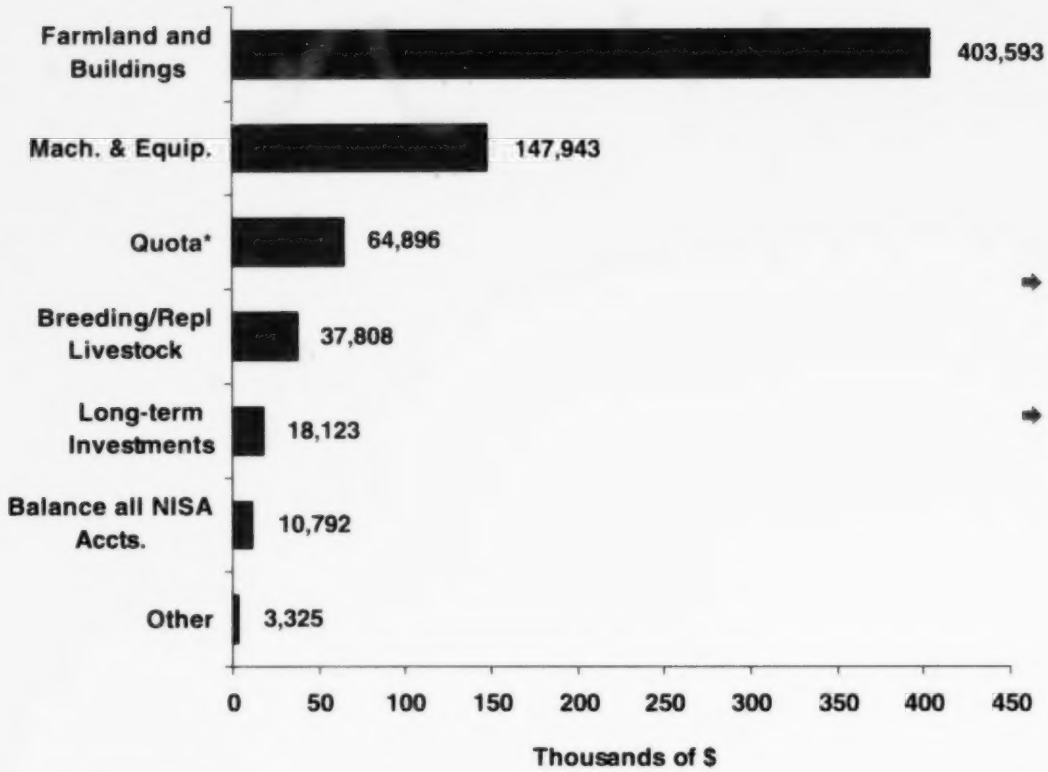
** Long-term assets include land and buildings, machinery and equipment, quota, breeding and replacement stock, and long-term investments (over 1 year) including NISA balances.

Breakdown of Average Current Assets per Farm, Canada, 1997



➡ Inventory of crops for sale and market livestock destined for slaughter are the two major elements of current assets; they represent two-thirds of current assets.

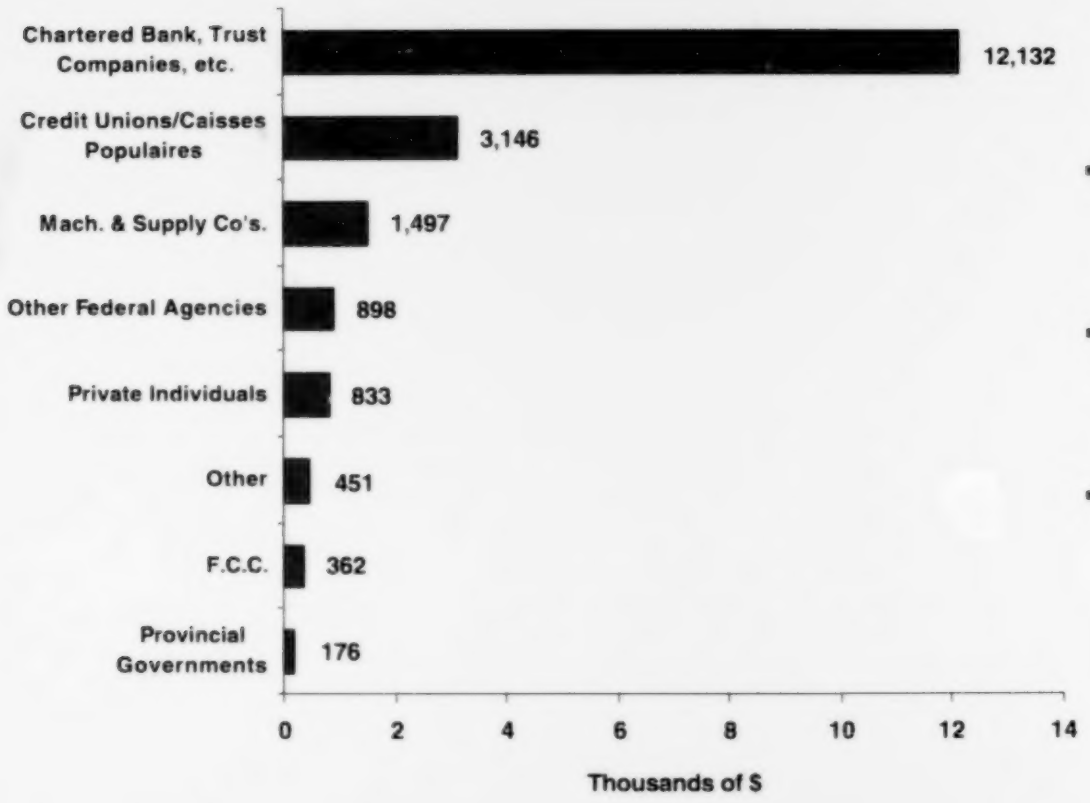
Breakdown of Average Long Term Assets per Farm, Canada, 1997



* Market value

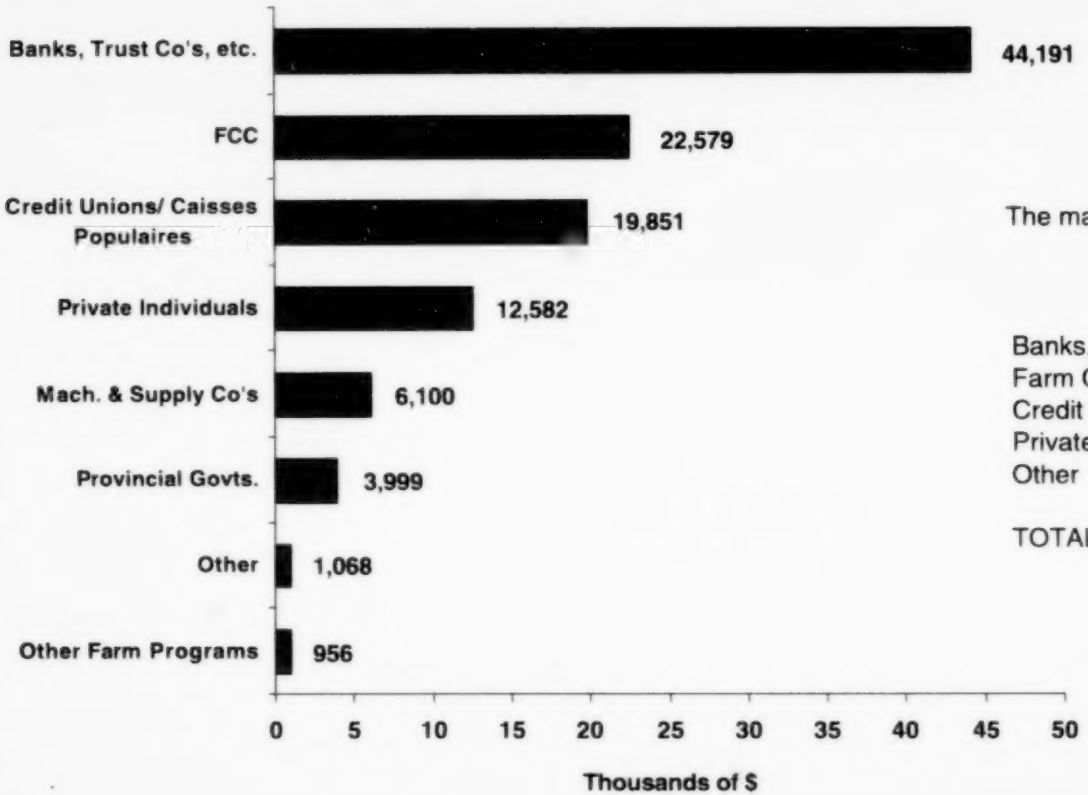
- Farm real estate ($403,593) was the most significant long term asset representing 59% of the total in 1997.
- Machinery and equipment and quota also represented an important share of long term assets at 22% and 9%, respectively.

Average Current Liabilities per Farm by Source of Funding, Canada, 1997



- Chartered banks, trust companies and treasury branches supplied the most significant portion of funds with 62% of current liabilities.
- The second most important source of current debt was credit unions/caisses populaires at 16% of total current liabilities.
- In Quebec, unlike the other provinces, caisses populaires were the source of 35% of total current liabilities while chartered banks and trust companies supplied 44.4% of the total in 1997.

Average Long Term Liabilities per Farm by Source of Funding, Canada, 1997



The major sources of long term liabilities are:

	Canada	Quebec
Banks, trust companies, etc.	(40%)	(26%)
Farm Credit Corporation	(20%)	(21%)
Credit Unions/Caisses Populaires	(18%)	(41%)
Private Individuals	(11%)	(8%)
Other	(11%)	(4%)
TOTAL	100%	100%

Debt as a Percent of Assets by Province

	1993	1995	1997
		Percent	
Atlantic	16.9	16.2	18.4
Quebec	22.0	20.6	23.4
Ontario	14.1	15.4	16.2
Manitoba	16.7	15.7	17.3
Saskatchewan	15.3	13.9	14.1
Alberta	14.9	13.8	15.6
British Columbia	13.8	15.7	18.1
Canada	15.8	15.5	16.8

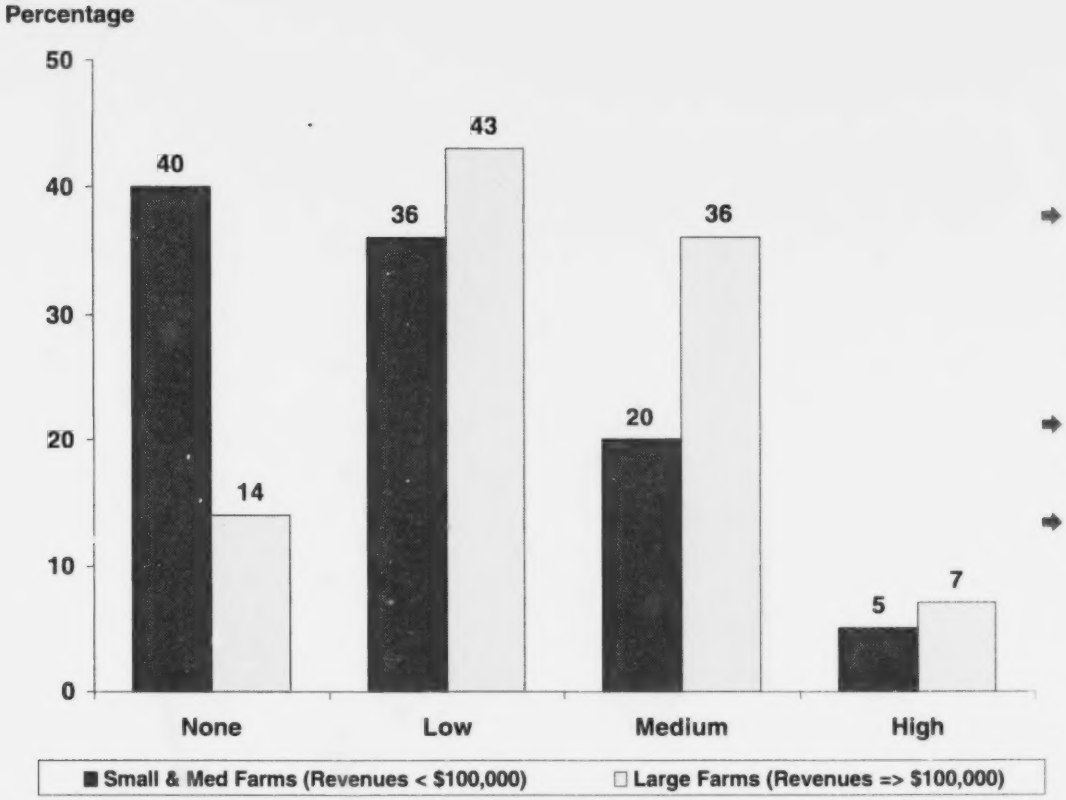
- On average, debt on Canadian farms increased to 16.8% of assets in 1997.
- Average debt/assets increased in all regions between 1995-97.

Debt as a Percent of Assets by Farm Type

	1993	1995	1997
		Percent	
Dairy	18.4	18.6	19.1
Beef	12.6	12.7	15.0
Hogs	24.1	23.5	25.8
Poultry & Egg	20.0	20.9	20.1
Potatoes	23.1	21.1	23.9
Fruit & Vegetables	16.1	15.7	18.8
Grains & Oilseeds	14.9	14.0	14.4
All Farm Types	15.8	15.5	16.8

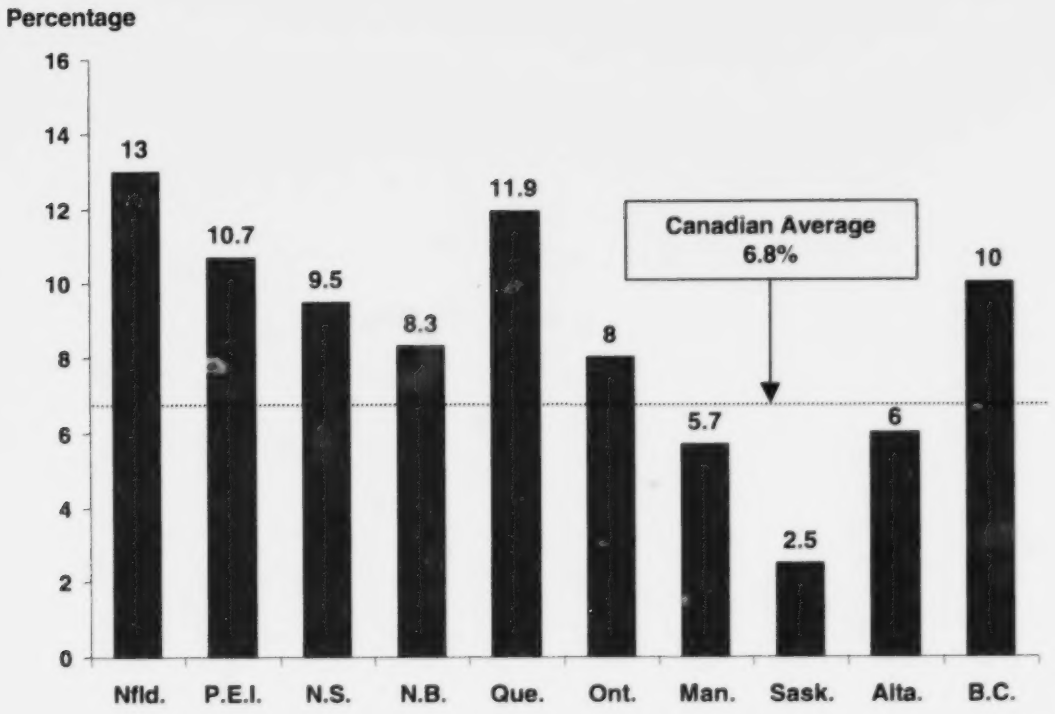
- Debt as a percent of assets were significantly higher for hog, beef, potato, and fruit and vegetable farm in 1997 compared to 1995.
- Debt as a percent of assets was up for all farm types except poultry and egg farms in 1997 compared to 1995.
- Hog and potato farms reported debts to assets that were much higher than the average for all farm types.
- Grain and oilseed farms reported the lowest debt as a percent of assets.

Distribution of Farms by Debt Level, 1997
Small and Medium Farms vs. Large Farms



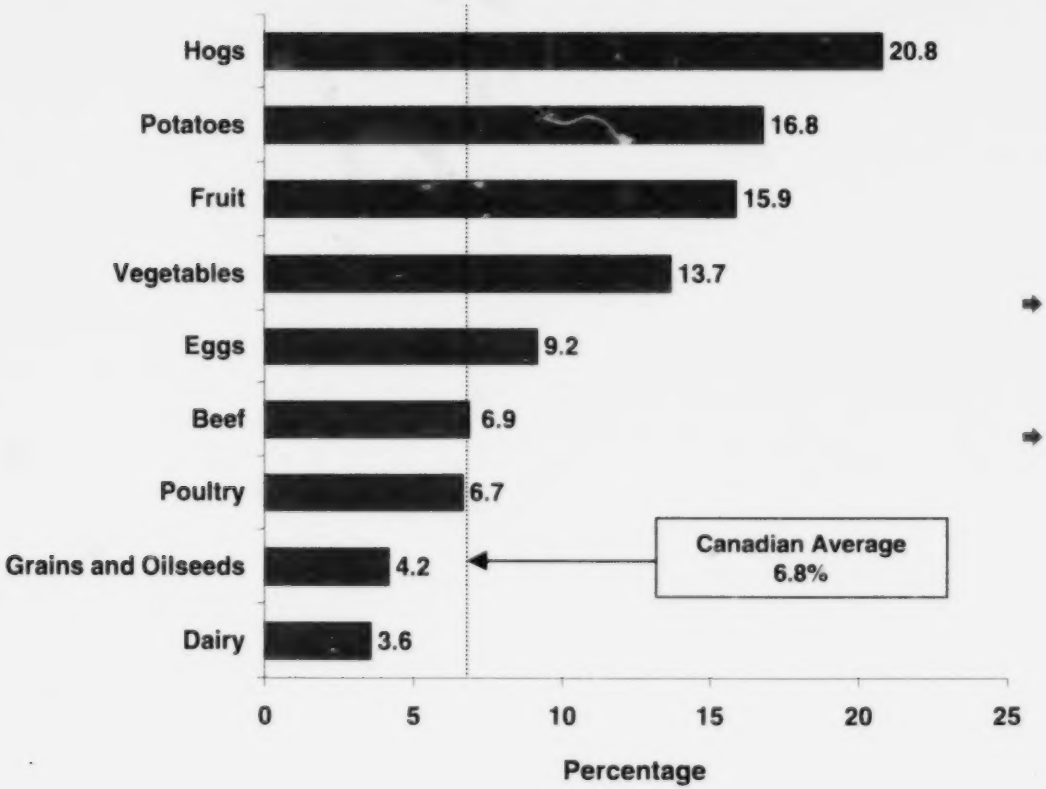
- Farm debt level is:
  - "HIGH" if debt/assets > 50%
  - "MEDIUM" if debt/assets > 20% but < 50%
  - "LOW" if debt/assets > 0 but < 20%
  - "NONE" if there is no debt.
- Small and medium farms had much lower levels of debt than large farms.
- 40% of small and medium farms had no debt compared to 14% of large farms.

Percentage of Large Farms with High Debt by Province, 1997



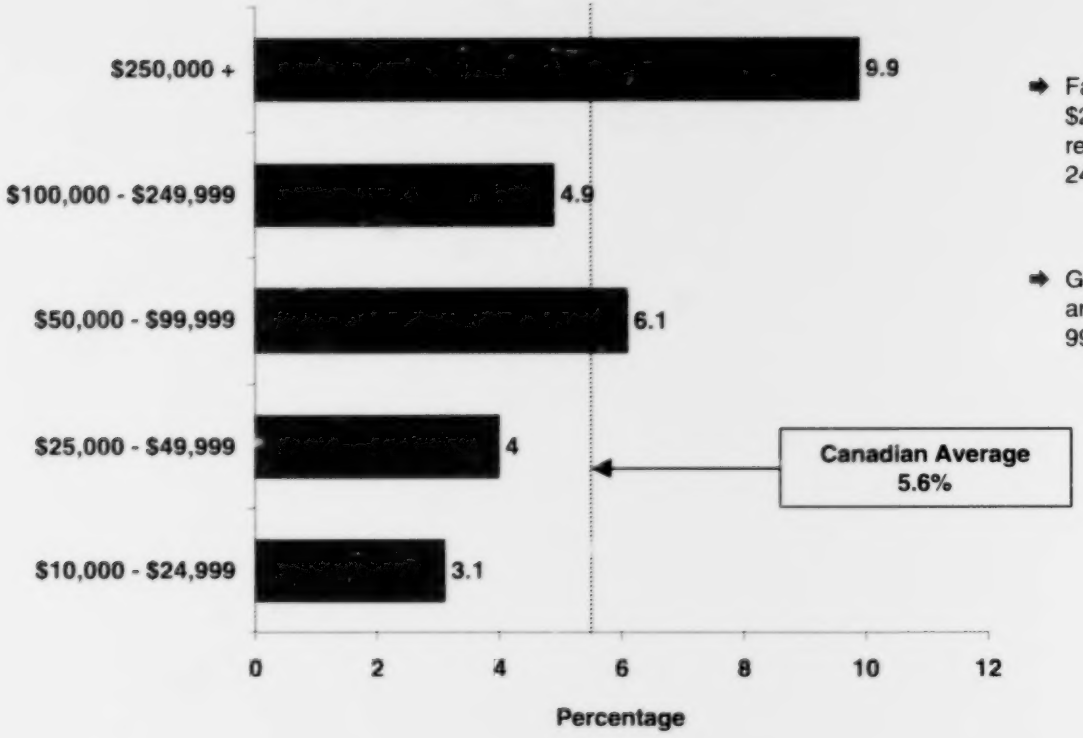
- There were an estimated 5,680 large farms in Canada in 1997 with high debt.
- Newfoundland (13%) and Quebec (11.9%) had higher percentages of large farms with high debt.
- Prince Edward Island, British Columbia and Nova Scotia had similar proportions of around 10%.
- Saskatchewan (2.5%), followed by Manitoba (5.7%), had the lowest percentage of large farms with high debt.

Percentage of Large Farms with High Debt by Farm Type, 1997



- More large hog farms had high debt (about 1 in 5) in 1997.
- Fewer large dairy farms had high debt.

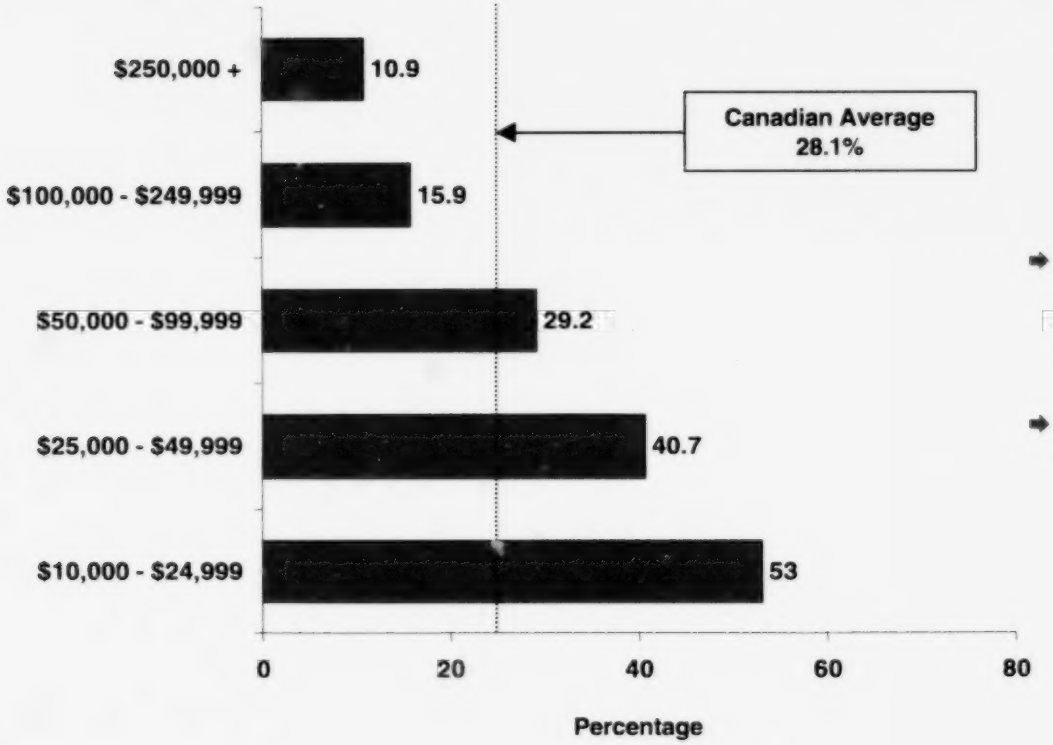
Percentage of Farms with High Debt by Revenue Class, 1997



- Farms with revenues between $50,000 - $99,999 and $250,000 and over had high debt while farms with revenues between $10,000 - $49,999 and $100,000 - 249,999 were below the Canadian average.

- Grain and oilseed farms and beef farms represent 45% and 25%, respectively, of farms within the $50,000 - 99,999 revenue class.

Percentage of Farms with No Debt by Revenue Class, 1997



- More than half of the smallest farms had no debt while only 1 in 7 of the large farms ($100,000 and over) had no debt.
- The percentage of farms with no debt decreases as farm size (sales) increases.

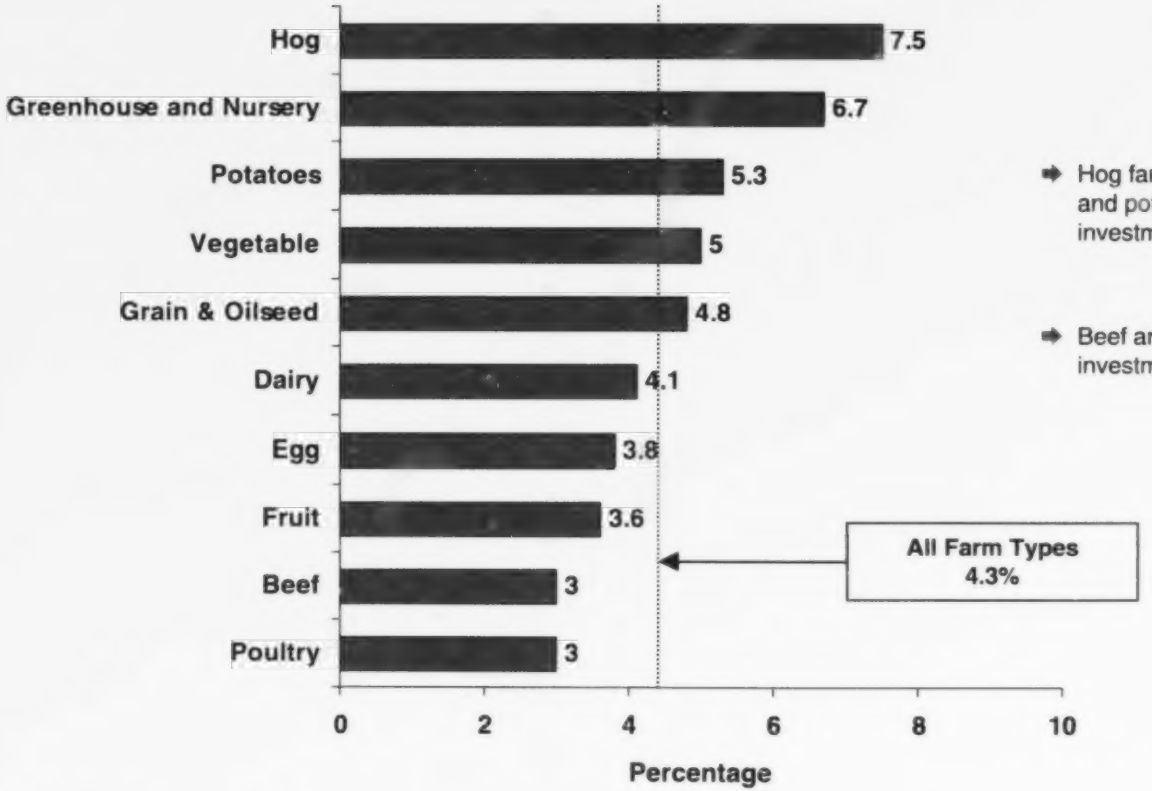
Capital Investment & Growth

Gross Capital Investment per Farm by Type of Investment

	1993	1995	1997
Land & Buildings	$5,146	$6,319	$7,342
Land Improvements	803	1,057	1,650
House Construction	1,842	2,167	1,811
Other Building Construction	3,848	4,667	6,249
Breeding & Replacement Livestock	2,651	2,603	2,724
Quota	1,684	1,476	1,791
Farm Machinery & Equipment	20,301	21,354	24,073
Other Farm Assets	1,778	1,372	2,048
TOTAL	**$38,054**	**$41,014**	**$47,688**

- Gross capital investment was up considerably (16%) in 1997 compared to 1995. Investment was up 8% in 1995 compared to the 1993 level.
- Investment in farm machinery and equipment was the most important component of capital investment in all years.
- Land and building purchases and other building construction were also significant in all years.

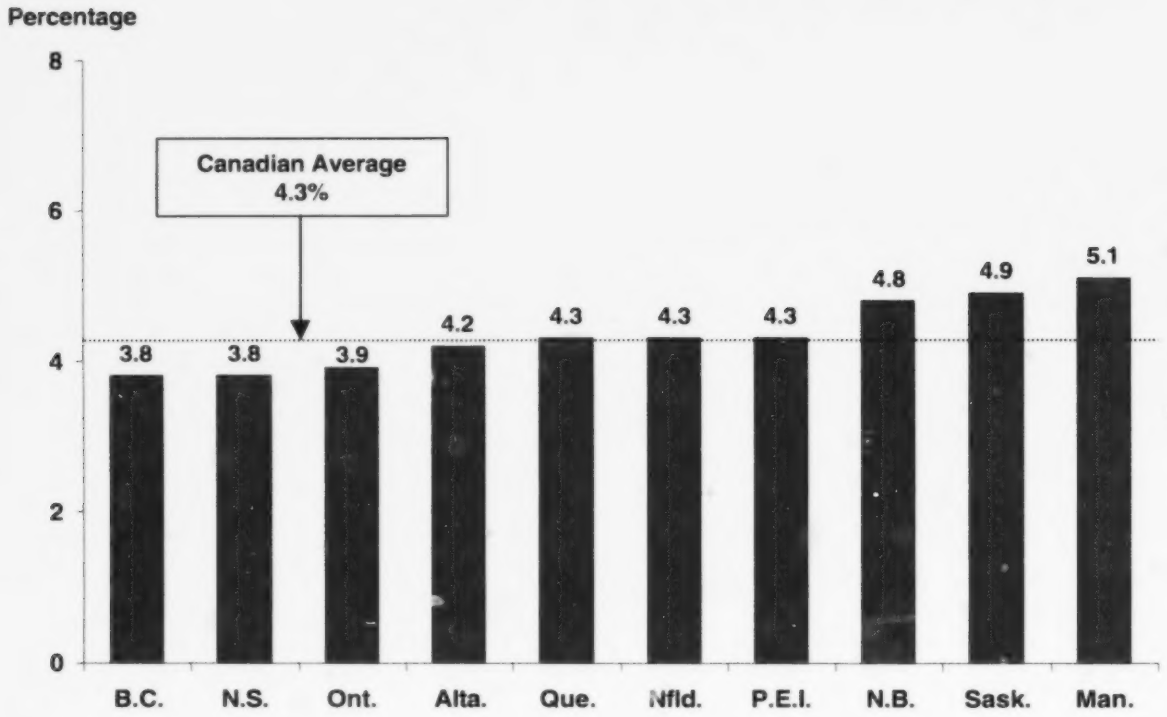
Net Capital Investment* as a Percent of Assets by Farm Type, 1997



- Hog farms followed by greenhouse and nursery farms and potato farms reported the highest net capital investment as a percent of assets in 1997.
- Beef and poultry farms reported the lowest net capital investment as a percent of assets.

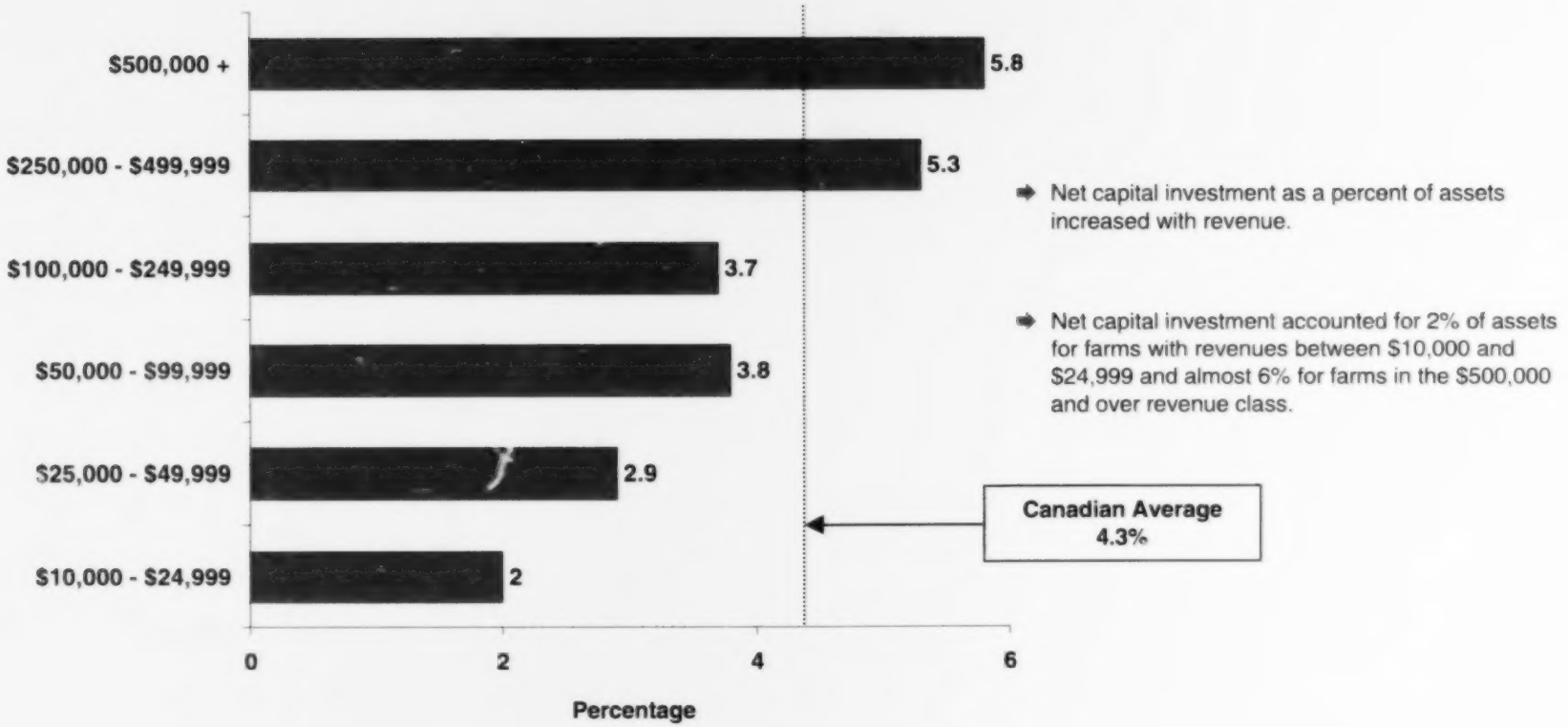
* Net capital investment is gross capital investment minus capital sales.

Net Capital Investment as a Percent of Assets by Province, 1997

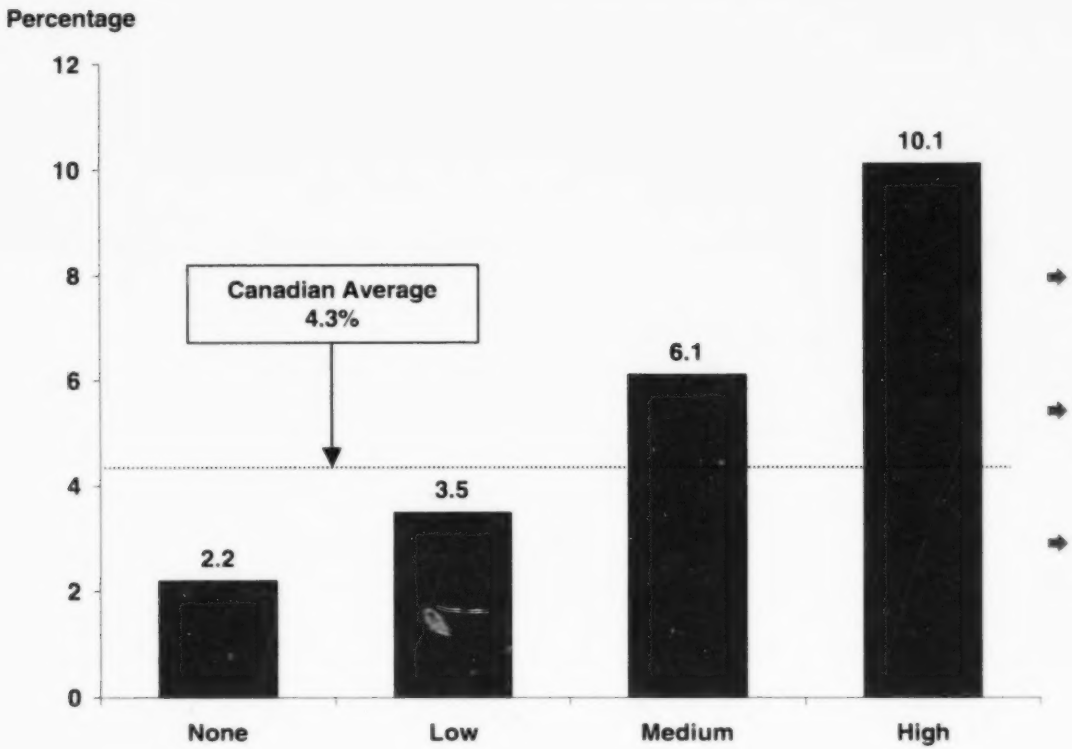


- Manitoba farms reported the highest net capital investment as a percent of assets among provinces.
- British Columbia and Nova Scotia reported the lowest levels.

Net Capital Investment as a Percent of Assets by Revenue Class, 1997

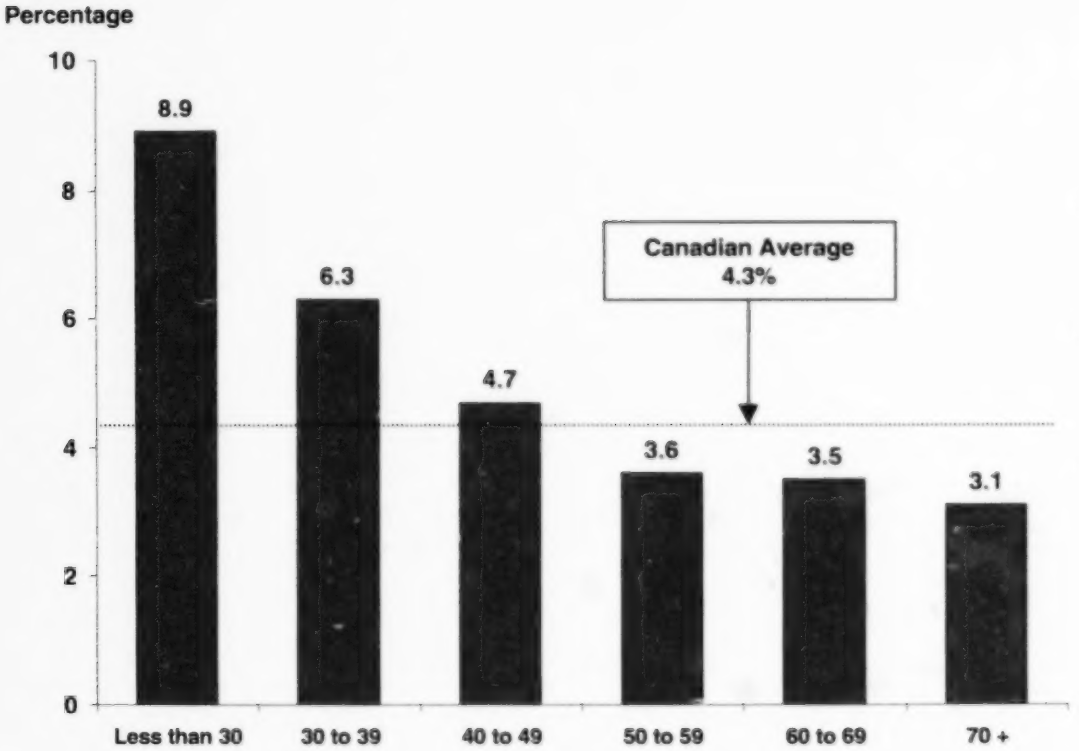


Net Capital Investment as a Percent of Assets by Debt Level, 1997



- Farms with higher debt levels had higher net capital investment as a % of assets.
- Net capital investment was 10.1% of assets on farms with high debt.
- Net capital investment was only 2.2% of assets on farms with no debt.

Net Capital Investment as a Percent of Assets by Age Class, 1997



- Net investment was 8.9% of assets on farms whose oldest operator was less than 30 years old.
- Net investment fell below 4% of assets on farms whose operators were over 50 years old.
- Net investment fell as age of operator increased.

Note: Based on age of oldest operator.

Net Capital Investment and Capital Borrowed by Province, 1997

	Net Capital Investment	Net New Borrowings*	Net New Borrowings as % of Net Investment
Newfoundland	$24,925	$14,690	58.9
Prince Edward Island	41,610	21,840	52.5
Nova Scotia	24,739	12,743	51.5
New Brunswick	35,937	23,067	64.2
Quebec	29,721	22,239	74.8
Ontario	31,907	20,497	64.2
Manitoba	36,632	18,488	50.5
Saskatchewan	31,952	14,457	45.2
Alberta	37,076	21,197	57.2
British Columbia	41,750	27,922	66.9
Canada	**$33,618**	**$19,492**	**58.0**

* Capital borrowed in 1997.

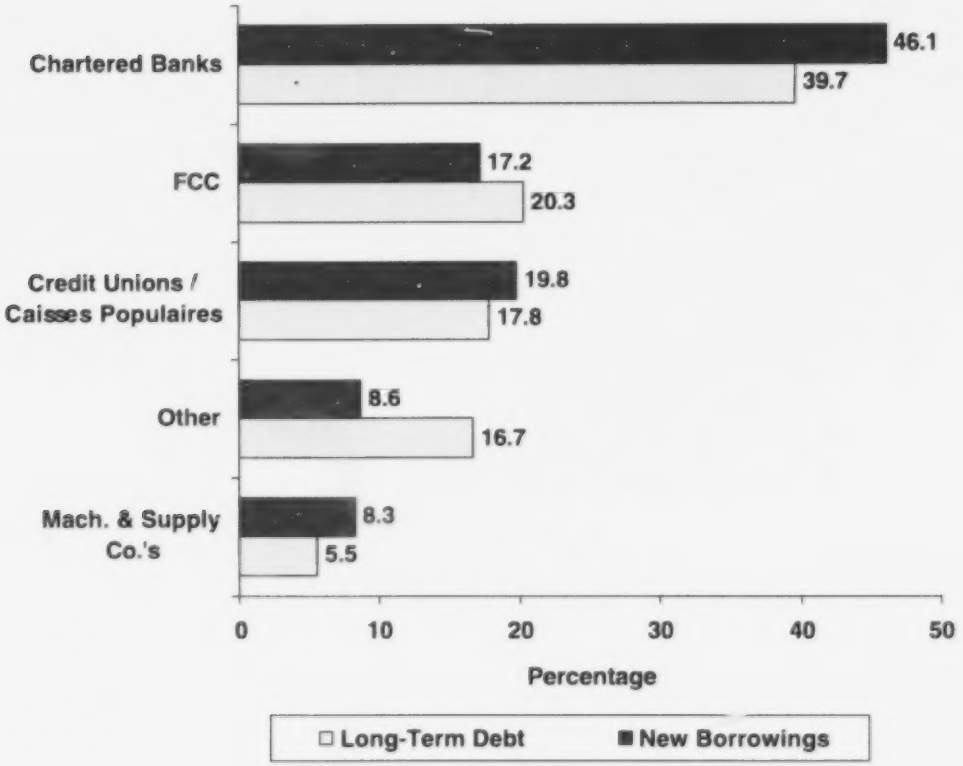
- Average net capital investment was $33,618. Approximately 58% of net capital investment in 1997 was covered by net new borrowings.
- British Columbia and Prince Edward Island had the highest levels of net investment, both over $40,000. Net new borrowings represented 66.9% of net capital investment for British Columbia.
- Nova Scotia ($24,739), Newfoundland ($24,925) and Quebec ($29,721) had the lowest net capital investment.
- Net new borrowings represented 74.8% of net capital investment for Quebec.

Net Capital Investment and Capital Borrowed by Farm Type, 1997

	Net Capital Investment	Net New Borrowings	Net New Borrowings as % of Net Investment
Dairy	$49,068	$34,699	70.7
Beef	19,044	13,117	68.9
Hog	75,647	43,842	58.0
Poultry	39,717	26,446	66.6
Egg	53,560	31,949	59.7
Potato	82,341	41,471	50.4
Fruit	24,513	17,555	71.6
Vegetable	35,077	15,685	44.7
Grain & Oilseed	35,387	16,526	46.7
Greenhouse	57,670	40,133	69.6
TOTAL	**$33,618**	**$19,492**	**58.0**

- Potato farms had the highest level of net capital investment ($82,341) but only 50.4% of this amount represents net new borrowing.
- Hog farms ($75,647) also had a high level of net capital investment of which 58% was net new borrowing.
- Beef farms had the lowest level of net capital investment ($19,044) and 68.9% was net new borrowings.
- Fruit, dairy and greenhouse and nursery farms also had a high proportion of net new borrowing (approximately 70%).

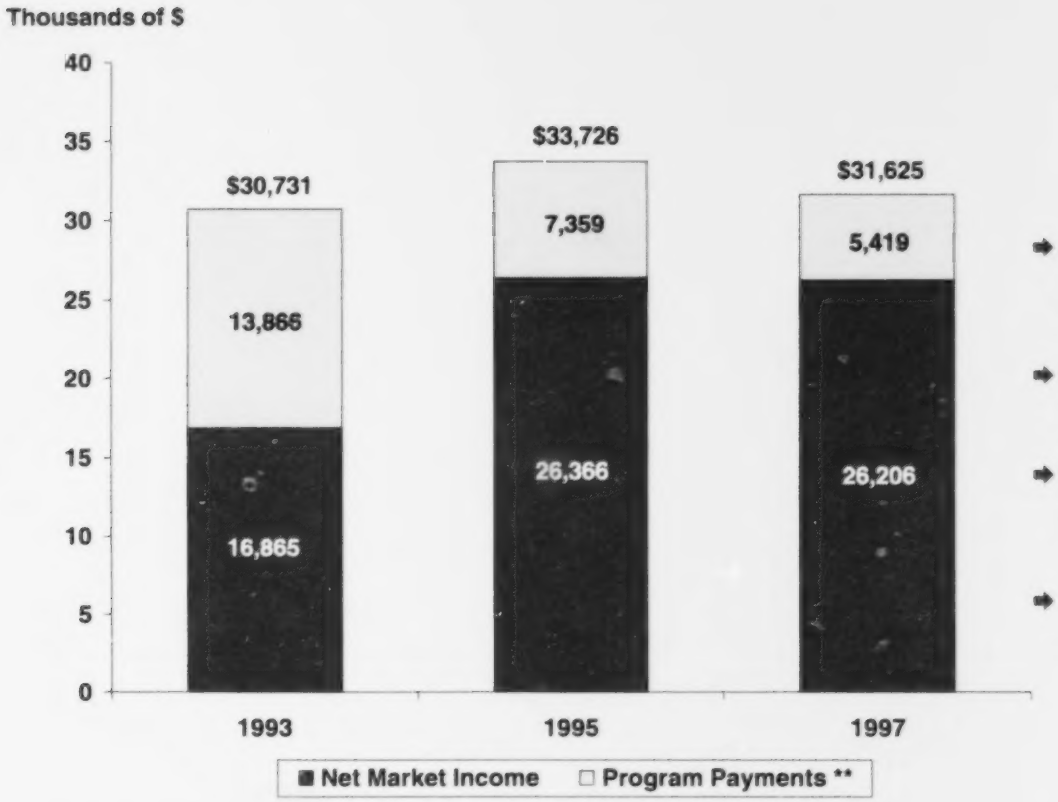
Percentage of Outstanding Long-Term Debt and New Borrowings by Financial Institution, 1997



- Chartered banks, the Farm Credit Corporation (FCC) and credit unions/caisses populaires were the major farm lenders.
- Chartered banks and FCC held 39.7% and 20.3% of outstanding long-term debt.
  - For Saskatchewan these proportions represented 29.9% and 23.2%, respectively.
  - In Quebec, the proportions were 25.6% and 21.4% but credit unions/caisses populaires represent 40.9% of outstanding long term debt.
- Chartered banks and credit unions/caisses populaires were the two major sources of new borrowings for farmers.

Farm Income & Stability

Net Operating Income* per Farm, Canada



- Net operating income dropped by 6% in 1997 due to a decline in both program payments and net market income.
- Program payments do not include government contributions or withdrawals from NISA.
- Net market income remained at the same level (approximately $26,000) between 1995 and 1997 after an increase of 56% from 1993 to 1995.
- Program payments were lower in 1997 than in previous years and down significantly from 1993.

* Net operating income includes program payments but excludes NISA withdrawals.

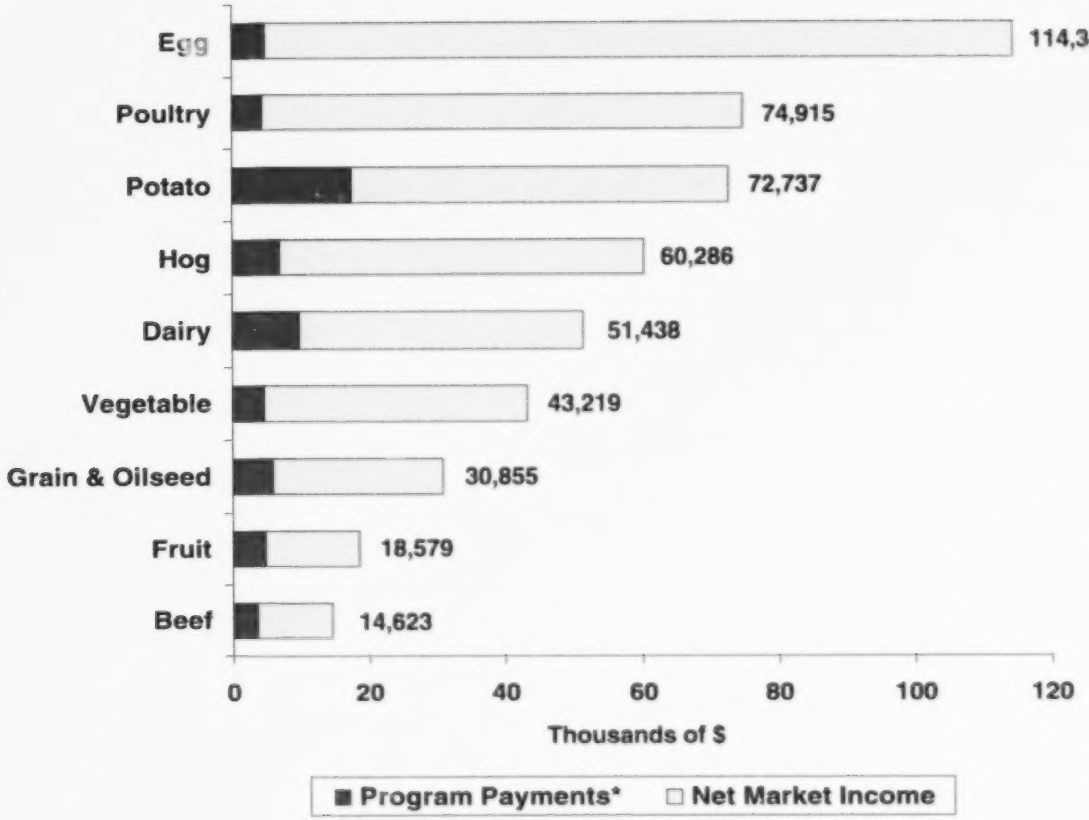
** Program payments include income from stabilization payments (including provincial GRIP in 1993 and 1995), dairy subsidies and other programs, crop insurance proceeds and fuel and property tax rebates.

Net Operating Income per Farm by Province, 1997

* Includes provincial and federal payments but excludes NISA withdrawals.

- Ontario reported the highest net operating income.
- Quebec had the highest level of program payments in 1997 which largely reflects payments from provincial stabilization programs. NISA participation in Quebec is for horticulture and honey commodities only.
- Manitoba and Newfoundland also reported relatively high net operating income reflecting high net market income.
- British Columbia had the lowest level of program payments and net operating income.

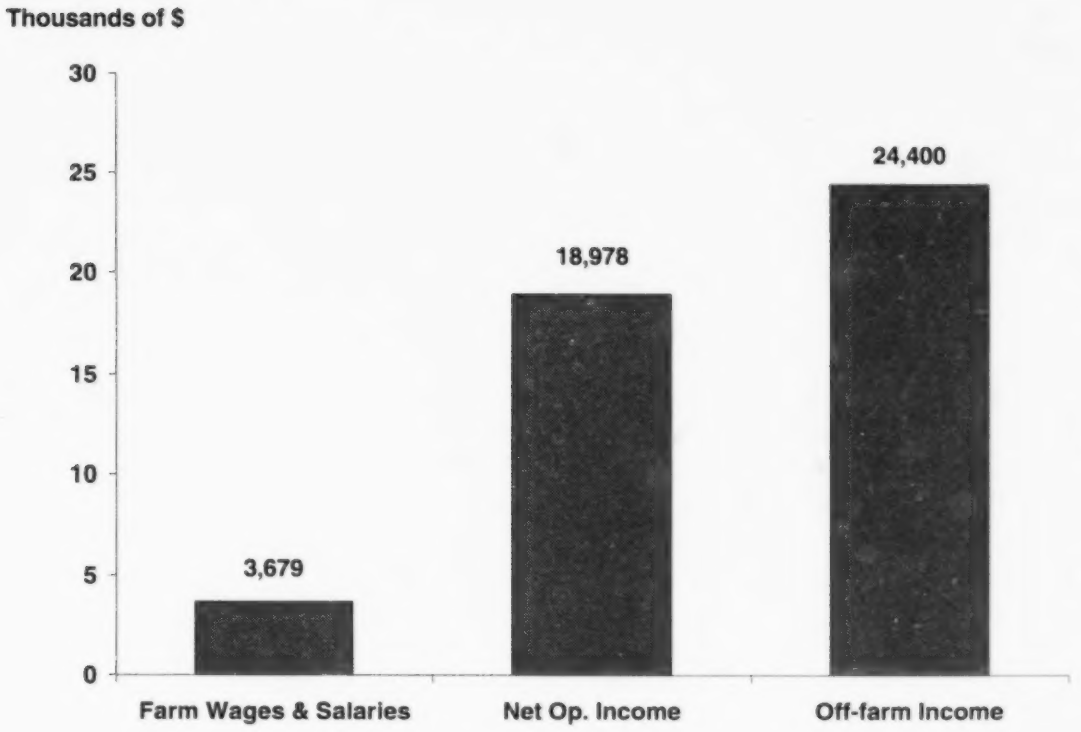
Net Operating Income per Farm by Farm Type, 1997



- As in previous years, net operating income varied significantly between farm types.
- Egg farms had the highest net operating income followed by poultry farms.
- Potato farms also report strong net operating income.
- Beef farms, at only $14,623, once again had the lowest net operating income.

* Includes provincial and federal payments but excludes NISA withdrawals.

Sources of Family Income (Sole Proprietorship Only), Canada, 1997



- Family income is made up of net operating income, off-farm income and farm wages paid to family members.
- Sole proprietors earned an average of $47,057 from the three major sources of income.
- Off-farm income made up 52% of total family income for Canadian sole proprietorship farms.
- Sole proprietorships represented 61% of all farms surveyed in 1997.

Sources of Family Income (Sole Proprietorship) by Province, 1997

	Net Operating Income	Wages & Salaries	Off-farm Income *	Total Family Income
Newfoundland	26,901	7,565	19,669	54,135
Prince Edward Island	18,970	4,061	19,838	42,869
Nova Scotia	17,915	4,057	30,017	51,989
New Brunswick	17,063	4,294	21,095	42,452
Quebec	19,233	4,942	16,167	40,342
Ontario	17,858	3,441	30,084	51,384
Manitoba	22,750	3,131	19,276	45,157
Saskatchewan	21,224	3,140	21,945	46,309
Alberta	16,696	4,034	28,362	49,092
British Columbia	8,175	3,649	34,415	46,239
Canada	18,978	3,679	24,400	47,058

* Income excludes the government contribution portion of NISA.

- Newfoundland had the highest family income and the highest net operating income for sole proprietorships.
- Nova Scotia and Ontario showed relatively high family income which reflects the high level of off-farm income for these provinces.
- Quebec had the lowest family income and lowest off-farm income.
- British Columbia's high off-farm income offset its low net operating income.

Sources of Family Income (Sole Proprietorship) by Farm Type, 1997

	Net Operating Income	Wages & Salaries	Off-farm Income *	Total Family Income
Beef	7,410	1,664	26,230	35,304
Vegetable	21,734	5,471	17,020	44,224
Fruit	10,941	3,749	32,461	47,151
Dairy	31,124	8,195	8,106	47,426
Grain & Oilseed	23,354	3,730	25,302	52,386
Hog	32,300	6,871	16,107	55,278
Potato	34,007	7,367	14,648	56,022
Egg	43,084	9,280	21,692	74,055
Poultry	37,133	8,329	29,054	74,516

* Income excludes the government contribution portion of NISA.

- Poultry farms and egg farms had the highest family income which reflects their high net operating income.
- Beef farms and fruit farms had low net operating income but relatively high off farm income. Beef farms had the lowest family income.
- High net operating income on dairy farms was offset by low off farm income.

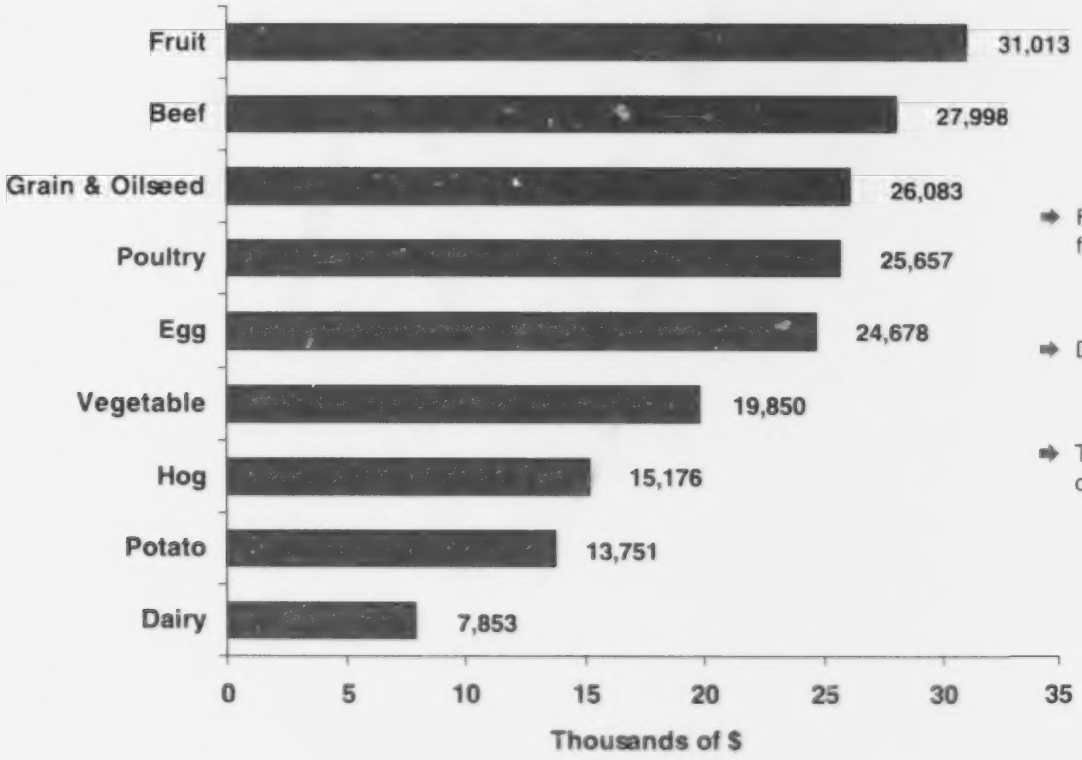
Sources of Family Income (Sole Proprietorship) by Revenue Class, 1997

Revenue Class	Net Operating Income	Wages & Salaries	Off-farm Income *	Total Family Income
$10,000 - $24,999	-7	579	32,282	32,855
$25,000 - $49,999	4,492	1,060	28,430	33,982
$50,000 - $99,999	13,294	2,760	25,361	41,415
$100,000 - $249,999	32,561	5,879	17,050	55,489
$250,000 - $499,999	51,705	10,825	18,278	80,807
$500,000 +	121,779	17,307	13,440	152,526

* Income excludes the government contribution portion of NISA.

- Net operating income is negative for farms in the $10,000 - 24,999 revenue class while reaching $121,779 for farms in the highest revenue class.
- Wages and salaries are higher for large farms.

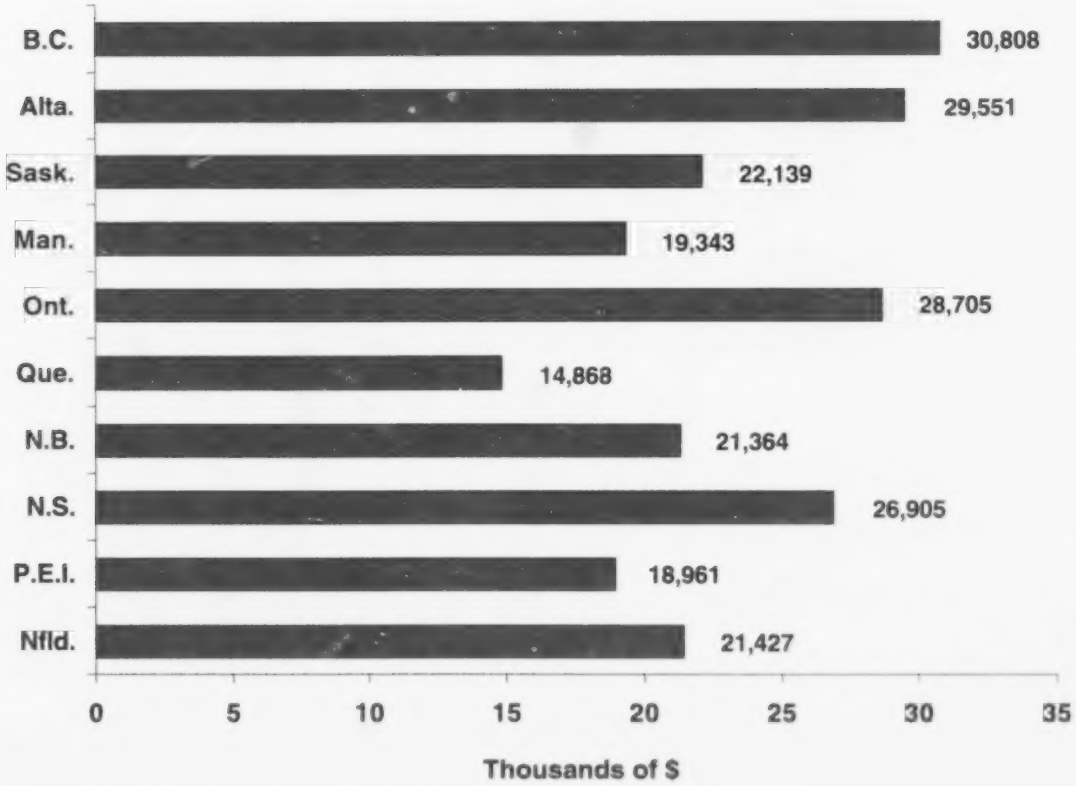
Off-farm Income* per Family by Farm Type, 1997



- Fruit farms, followed by beef farms, had the highest off-farm income with an average of $31,013.
- Dairy farms had the lowest off-farm income at $7,853.
- The average off-farm income for hog farms and grain and oilseed farms is $15,176 and $26,083, respectively.

* Income excludes the government contribution portion of NISA.

Off-farm Income* per Family by Province, 1997



- British Columbia had the highest off-farm income with an average over $30,000. Ontario and Alberta also showed off-farm income at close to $30,000.
- Quebec had the lowest off-farm income at $14,868.

* Income excludes the government contribution portion of NISA.

Distribution of Large Farms by Farm Stability Class* Canada

	1993	1995	1997
		Percent	
Favourable: (positive net operating income and D/A less than or equal to 40%)	78.0	80.3	75.9
Marginal Income: (negative/zero net operating income and D/A less than or equal to 40%)	8.3	7.3	10.9
Marginal Solvency: (positive net operating income and D/A greater than 40%)	11.6	10.8	10.4
Vulnerable: (negative/zero net operating income and D/A greater than 40%)	2.1	1.5	2.7

* Excludes off-farm income and NISA account balances.

- Farm "stability" is measured by a combination of net operating income and farm debt levels.
- 75.9% of farms were in the favourable stability class in 1997 compared to 80.3% in 1995.
- The proportion of vulnerable farms increased by 1% from 1995 to 1997.

Distribution of Large Farms by Farm Stability Class*, by Province, 1997

	Favourable	Marginal Income	Marginal Solvency	Vulnerable
	Percent			
Newfoundland	73.9	13.0	8.7	4.3
Prince Edward Island	70.7	12.7	10.7	6.0
Nova Scotia	75.9	9.5	10.8	3.8
New Brunswick	66.7	18.8	10.4	4.2
Quebec	73.4	6.1	17.5	3.0
Ontario	74.0	12.2	11.3	2.6
Manitoba	76.0	8.9	12.2	2.8
Saskatchewan	84.4	8.6	5.2	1.7
Alberta	73.5	16.1	7.5	2.8
British Columbia	64.0	18.6	12.8	4.5
Canada	76.1	11.0	10.2	2.7

* Does not include off-farm income.

- Saskatchewan and Manitoba had the highest proportion of farms in the favourable category.
- Quebec also had a high proportion of farms in the favourable category because of its large number of dairy farms.
- British Columbia had the lowest proportion of farms in the favourable category and a high proportion of farms in the marginal income category.

Distribution of Large Farms by Farm Stability Class*, by Farm Type, 1997

	Favourable	Marginal Income	Marginal Solvency	Vulnerable
	Percent			
Dairy	83.2	7.7	7.9	1.2
Beef	65.9	20.6	9.2	4.4
Hog	59.7	9.7	25.8	4.7
Poultry	76.1	7.4	13.3	1.5
Egg	79.7	7.8	9.2	3.3
Potato	59.7	15.7	15.7	8.9
Fruit	60.1	15.9	14.6	9.4
Vegetable	67.1	12.0	20.1	1.7
Grain & Oilseed	81.9	8.8	7.3	1.9
All Farm Types	76.1	11.0	10.2	2.7

* Does not include off-farm income.

- Dairy farms, followed by grain farms have the highest percentage of farms in the favourable category.

- 59.7% of hog farms were in the favourable category and 9.7% were in the marginal income category.

Canada